

# OPEN MEETING



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## MEMORANDUM RECEIVED

Arizona Corporation Commission

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AZ CORP COMMISSION  
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TO: THE COMMISSION

FROM: Utilities Division

DATE: July 15, 2009

RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION FOR APPROVAL  
OF ITS BILL ESTIMATION METHODOLOGIES TARIFF (DOCKET NOS. E-  
01933A-07-0402 AND E-01933A-05-0650)

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in its rates throughout its service area in the State of Arizona. On December 1, 2008, the Commission issued Decision No. 70628 which, in part, ordered TEP to submit a separate tariff describing its bill estimation methodologies. On March 2, 2009, TEP filed an application for approval of its Bill Estimation Methodologies tariff with the Commission in compliance with Decision No. 70628 and Section 18.1 of the 2008 Rate Settlement Agreement.

A utility needs to estimate a customer's usage when it cannot obtain a complete and valid meter read. For example, it may be impossible to obtain a meter read as a result of the customer not providing access to the meter, the meter being broken, or adverse weather conditions. A bill estimation tariff describes the methodologies that the utility uses to estimate the meter read so that the monthly bill can be calculated.

On June 30, 2009, the Commission approved a nearly identical bill estimation tariff proposed by UNS Electric, Inc. in Decision No. 71171 (Docket No. E-04204A-06-0783). As such, Staff's questions regarding TEP's proposed bill estimation methodologies, "TREND" procedures and the alignment of TEP's proposed bill estimation protocols with the protocols contained in Arizona Administrative Code ("A.A.C.") R14-2-210 have been answered to Staff's satisfaction. Accordingly, Staff recommends Commission approval of TEP's proposed Bill Estimation Methodologies tariff. Staff's recommendations are discussed in more detail below.

### Commission Decision No. 70628

Decision No. 70628 (page 49, lines 8-11) and the 2008 Rate Settlement Agreement (Section 18.1, Item d) attached to Decision No. 70628 as Exhibit A, require TEP to file a Bill Estimation Tariff that explicitly describes its usage estimation methodologies. TEP's proposed bill estimation procedures include, but are not limited to, methodologies for estimating energy usage (kWh) and demand usage (kW) under varying historic and customer status conditions. The following table summarizes TEP's proposed bill estimation methodologies:

TEP Bill Estimation Methodologies  
(when actual meter reads are unattainable)

Historical Meter Reading Conditions	kWh Method*	kW Method	TOU Method*
At least one year history, same customer at same premise	Same month, previous year	Same as kWh	Same as kWh
At least one year history, new customer at same premise	Customer Information System ("CIS") generates Trend estimated usage (**see below for more details)	Same year, previous month	Same as kWh
Less than one year history, same customer at same premise	same year, previous month; or, CIS Trend estimated usage	same year, previous month	Same as kWh
Less than one year history, new customer at same premise	CIS Trend estimated usage	same year, previous month	Same as kWh
No historical meter reading data	TEP must obtain valid meter reads before rendering estimated previous and current actual billings	Same as kWh	Same as kWh

\*Estimated energy usage is the product of (historical average daily usage) x (calendar days in current month) or CIS-generated Trend estimates (\*\*see below for more details). Time-of-use (TOU) on- and off-peak usage proportions are derived from historical data.

\*\*CIS-Generated Consumption Using Trend Methodologies

1. Customers are grouped by geographic areas to identify changes in average usage levels associated with geographic locations.
2. Customers are assigned to Trend rate classes (i.e. residential, commercial or Industrial) to identify changes in average usage levels associated with respective rate classes.
3. All consumption is identified by usage codes (i.e. kWh, kW or TOU).
4. Consumption trends are identified by comparing usage from three prior bill cycles to the same cycle in the previous month. This trend, plus a tolerance, is used to create a usage amount for bill estimation.
5. The estimated consumption for a customer is defined by TEP as follows:

$$[A / B] \times [C]$$

Where:

A = Customer's usage in a previous period

B = Average customer's usage in a previous period

C = Average customer's usage in the current period

**Staff's Recommendations**

Staff reviewed TEP's proposed bill estimation methodologies as summarized in the above table and concludes that they are appropriate. Staff therefore recommends approval of TEP's Bill Estimation Methodologies tariff as filed. Furthermore, Staff believes that estimating energy usage using TEP's Trend methodologies produces billing determinants (kWhs) that are in conformance with the requirements contained in A.A.C. R14-2-210.

Staff recommends that TEP implement the Bill Estimation Methodologies tariff, as approved, effective as soon as is practicable, but no later than August 31, 2009. The Company

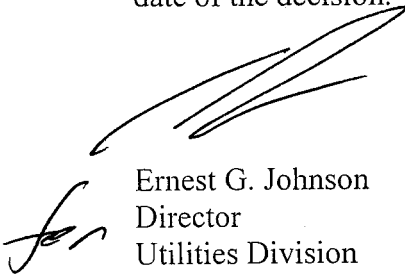
THE COMMISSION

July 15, 2009

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should docket, as a compliance item in this matter, a letter within 15 days of implementation stating that the implementation is complete.

In addition, Staff recommends that TEP file tariff pages for the approved Bill Estimation Methodologies tariff consistent with the decision in this matter within 15 days from the effective date of the decision.



Ernest G. Johnson  
Director  
Utilities Division

EGJ:WHM:lhmn\NS

ORIGINATOR: William H. Musgrove

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES  
Chairman

3 GARY PIERCE  
Commissioner

4 PAUL NEWMAN  
Commissioner

5 SANDRA D. KENNEDY  
Commissioner

6 BOB STUMP  
Commissioner

7  
8 IN THE MATTER OF THE APPLICATION }  
OF TUCSON ELECTRIC POWER }  
9 COMPANY FOR APPROVAL OF ITS BILL }  
10 ESTIMATION METHODOLOGIES TARIFF }  
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DOCKET NOS. E-01933A-07-0402  
E-01933A-05-0650

DECISION NO. \_\_\_\_\_

ORDER

13 Open Meeting  
14 July 28 and 29, 2009  
Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDINGS OF FACT

17 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide  
18 electric service as a public service corporation in the State of Arizona.

19 2. On March 2, 2009, TEP filed an application for approval of its Bill Estimation  
20 Methodologies tariff in compliance with Decision No. 70628 and Section 18.1 of the 2008 Rate  
21 Settlement Agreement.

22 3. A utility needs to estimate a customer's usage when it cannot obtain a complete and  
23 valid meter read. For example, it may be impossible to obtain a meter read as a result of the  
24 customer not providing access to the meter, the meter being broken, or adverse weather conditions.  
25 A bill estimation tariff describes the methodologies that the utility uses to estimate the meter read  
26 so that the monthly bill can be calculated.

27 4. On June 30, 2009, the Commission approved a nearly identical bill estimation tariff  
28 proposed by UNS Electric, Inc. in Decision No. 71171 (Docket No. E-04204A-06-0783). As such,

Staff's questions regarding TEP's proposed bill estimation methodologies, "TREND" procedures and the alignment of TEP's proposed bill estimation protocols with the protocols contained in Arizona Administrative Code ("A.A.C.") R14-2-210 have been answered to Staff's satisfaction. Accordingly, Staff recommends Commission approval of TEP's proposed Bill Estimation Methodologies tariff. Staff's recommendations are discussed in more detail below.

**Commission Decision No. 70628**

5. Decision No. 70628 (page 49, lines. 8-11) and the 2008 Rate Settlement Agreement (Section 18.1, Item d) attached to Decision No. 70628 as Exhibit A, require TEP to file a Bill Estimation Tariff that explicitly describes its usage estimation methodologies. TEP's proposed bill estimation procedures include, but are not limited to, methodologies for estimating energy usage (kWh) and demand usage (kW) under varying historic and customer status conditions. The following table summarizes TEP's proposed bill estimation methodologies:

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3. All consumption is identified by usage codes (i.e. kWh, kW or TOU).
4. Consumption trends are identified by comparing usage from three prior bill cycles to the same cycle in the previous month. This trend, plus a tolerance, is used to create a usage amount for bill estimation.
5. The estimated consumption for a customer is defined by TEP as follows:

$$[A / B] \times [C]$$

Where:

A = Customer's usage in a previous period

B = Average customer's usage in a previous period

C = Average customer's usage in the current period

**Staff's Recommendations**

6. Staff reviewed TEP's proposed bill estimation methodologies as summarized in the above table and concluded that they are appropriate.

7. Staff has recommended approval of TEP's Bill Estimation Methodologies tariff as filed.

8. Furthermore, Staff concluded that estimating energy usage using TEP's Trend methodologies produces billing determinants (kWhs) that are in conformance with the requirements contained in A.A.C. R14-2-210.

9. Staff has recommended that TEP implement the Bill Estimation Methodologies tariff, as approved, effective as soon as is practicable, but no later than August 31, 2009. The

1 Company should docket, as a compliance item in this matter, a letter within 15 days of  
2 implementation stating that the implementation is complete.

3 10. In addition, Staff has recommended that TEP file tariff pages for the approved Bill  
4 Estimation Methodologies tariff consistent with the decision in this matter within 15 days from the  
5 effective date of the decision.

6 CONCLUSIONS OF LAW

7 1. Tucson Electric Power Company is a public service corporation within the meaning  
8 of Article XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Tucson Electric Power Company and the  
10 subject matter of the Application.

11 3. Approval of the Tucson Electric Power Company proposed Bill Estimation  
12 Methodologies tariff does not constitute a rate increase as contemplated by Arizona Revised  
13 Statutes § 40-250.

14 4. The Commission, having reviewed the Application and Staff's Memorandum dated  
15 July 15, 2009, concludes that it is in the public interest to approve the Tucson Electric Power  
16 Company proposed Bill Estimation Methodologies tariff, as discussed herein.

17 ORDER

18 IT IS THEREFORE ORDERED that the Tucson Electric Power Company proposed Bill  
19 Estimation Methodologies tariff, as discussed herein, be and hereby is approved.

20 IT IS FURTHER ORDERED that Tucson Electric Power Company implement the Bill  
21 Estimation Methodologies tariff, as approved, effective as soon as is practicable, but no later than  
22 August 31, 2009, and Tucson Electric Power Company shall docket, as a compliance item in this  
23 matter, a letter within 15 days of implementation stating that the implementation is complete.

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1 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file tariff pages  
2 for the approved Bill Estimation Methodologies tariff consistent with the Decision in this matter  
3 within 15 days from the effective date of the Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

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10  
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of this  
Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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19 MICHAEL P. KEARNS  
INTERIM EXECUTIVE DIRECTOR

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21 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_

23 EGJ:WHM:lh\NS  
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SERVICE LIST FOR: TUCSON ELECTRIC POWER COMPANY  
DOCKET NOS. E-01933A-07-0402 and E-01933A-05-0650

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